

Market Monitor – Asia

Asian Economies Sustained a Solid Recovery



- Improving exports supported economic recoveries in Asian economies.
- Inflation remained steady, with some economies reporting modest upticks.
- Asian currencies depreciated amid lower rate-cut expectations by the Fed. In April, Bank Indonesia took an unexpected rate hike to support the rupiah.

Asian economies maintained a recovery trend in Q1 2024

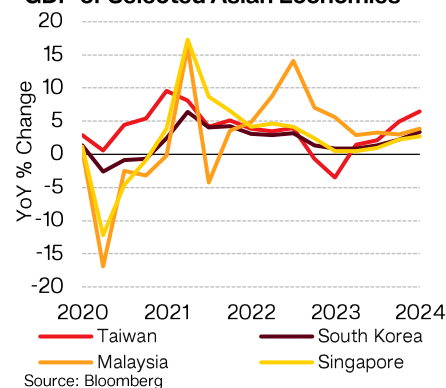
Improving external demand lifted South Korea and Taiwan's economies notably.

In Q1 2024, South Korea's gross domestic product (GDP) expanded by 3.4% YoY, up from 2.2% in Q4 2023. Exports of goods and services surged by 7.1% YoY, driven by strong demand for technology products. Meanwhile, final consumption and gross capital formation grew moderately by 0.6% and 0.5% YoY, respectively, mainly due to a higher base of comparison in 2023. On a quarter-on-quarter (QoQ) basis, South Korea's GDP growth rose from 0.6% in Q4 2023 to 1.3% in Q1 2024.

Taiwan's GDP grew by 6.51% in Q1 2024, due to a lower comparison base (-3.49% YoY in Q1 2023). External demand has been the primary growth driver since Q3 2023, with a contribution of 5.46 percentage points (ppts) to headline YoY GDP growth in Q1 2024. During Q1 2024, rising demand for advanced technology, like artificial intelligence, and rapid visitor growth boosted Taiwan's exports of goods and services, generating a rise of +10.21% YoY. Private consumption and government consumption expenditure grew steadily by 4.14% YoY and 1.26%, respectively. But capital formation declined by 4.47% YoY, as business investment was dragged down by tightened financial conditions. Compared to the previous quarter, Taiwan's GDP growth softened from 2.34% QoQ in Q4 2023 to 0.28% in Q1 2024.

ASEAN economies generally recovered in Q1 2024. Singapore's GDP growth picked up from 2.2% YoY in Q4 2023 to 2.7% in Q1 2024. The recovery was driven by the services sector, which expanded by 3.2% YoY. The manufacturing sector also rebounded from a 4.3% YoY decline in Q4 2023 to a 0.8% growth in Q1 2024,

GDP of Selected Asian Economies



Economic Research

while the construction sector continued to grow by 4.3% YoY. On a QoQ basis, Singapore's GDP expanded by 0.1% in Q1 2024. Meanwhile, Malaysia's GDP growth accelerated from 3.0% YoY in Q4 2023 to 3.9% in Q1 2024. Among the major sectors, construction grew strongly by 9.8% YoY, the fastest pace since Q1 2023. The manufacturing sector also improved notably, growing by 1.9% YoY. On a QoQ basis, Malaysia's GDP was contracted by 3.4% in Q1 2024.

Inflation remained steady with some reporting modest upticks

Inflation in advanced Asian economies softened. Japan's headline and core CPI inflation (excludes fresh food items but includes energy items) edged down to 2.7% YoY and 2.6% in March, respectively. Specifically, slower price growth was seen in furniture & household goods (from 5.1% YoY in February to 3.2% in March) and clothes & footwear (from 2.6% to 2.2%). In April, South Korea's headline and core CPI inflation eased to 2.9% YoY and 2.3%, respectively. Taiwan's inflation cooled notably after the seasonal impacts of the Chinese New Year faded. Both headline and core CPI inflation retreated to 2.1% YoY in March. Overall, inflation in advanced Asian economies remained moderate.

Some ASEAN economies reported modest upticks in inflation. Singapore's headline CPI inflation slowed to 2.7% YoY in March, down from 3.4% in February. Malaysia's headline CPI inflation remained at 1.8% YoY for the second consecutive month in March. On the other hand, some ASEAN economies reported modest upticks in their latest inflation readings, such as Indonesia (from 2.8% YoY in February to 3.0% in April), the Philippines (from 3.4% YoY in February to 3.7% in March) and Vietnam (from 4.0% YoY in March to 4.4% in April). The rise was mainly due to higher prices for food and energy items, as these economies generally maintained stable core CPI inflation. Overall, inflationary pressures among ASEAN economies remain manageable.

Bank Indonesia took a pre-emptive hike while others stayed put

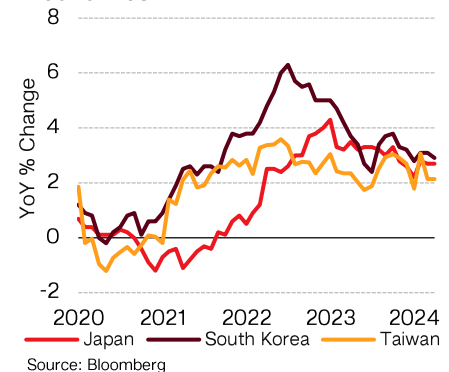
Bank Indonesia took a pre-emptive hike to support the rupiah in April. Bank Indonesia (BI) raised its policy rate by 25 basis points to 6.25% in April, as a rising US dollar prompted BI to take action to maintain rupiah stability. After ending its negative interest rate policy in March, the Bank of Japan (BOJ) kept its benchmark interest rate unchanged at 0-0.1% in the April meeting. Given lower rate cut expectations by the Fed and an expected modest rate hike path by the BOJ, monetary policy divergence led to a sharp depreciation in the Japanese yen to a 34-year low. The Japanese yen only stabilised after the Japanese authorities reportedly conducted their market intervention. Other central banks, including the Bank of Korea, the Bank of Thailand, and the Bangko Sentral ng Pilipinas, had monetary meetings in April and held their respective policy rates unchanged.

Broad-based depreciation among Asian currencies

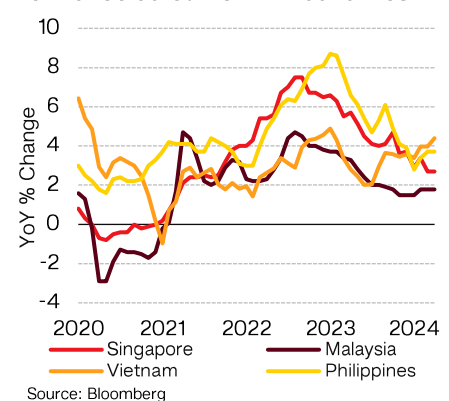
Asian currencies weakened against the US dollar in April. As the market scaled back rate cut expectations by the Fed, it drove US treasury bond yields to surge and led the US dollar to strengthen further, increasing pressures on most Asian currencies. By end-April, the Japanese Yen led the declines among its Asian peers, with a drop of 6.1% in April, followed by the Thai Baht (-4.1%), the Indonesian Rupiah (-4.0%), and the Korean Won (-3.1%).

May 2024

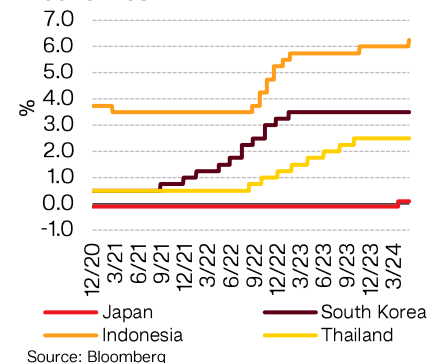
CPI of Selected Asian Advanced Economies



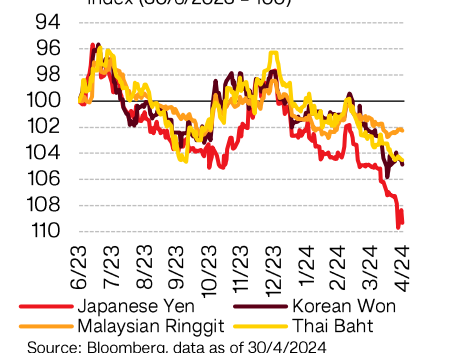
CPI of Selected ASEAN Economies



Policy Rates in Selected Asian Economies



Selected Asian Currencies against USD



Singapore, Malaysia and Taiwan's stock markets advanced in April, while most other Asian markets retreated. Equity markets in Singapore, Malaysia and Taiwan gained by 2.6%, 2.1% and 0.5%, respectively, by end-April, compared to end-March. On the contrary, most other Asian equity markets retreated, with the equity markets of Japan, South Korea, Thailand, Indonesia, the Philippines and Vietnam posting declines of 0.7-5.8% in April.

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